Thirty-eighth Annual Report

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

FOR THE YEAR ENDED
December 31, 1948

BOARD
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CAROLINA, CLINCHFIELD AND OHIO RAILWAY

1948

BOARD OF DIRECTORS

H. R. Dennis, *Chairman* – – – – – – – – New York, N. Y.
Edward C. Bailly – – – – – – – – – New York, N. Y.
T. J. Cunningham – – – – – – – – – New York, N. Y.
Warren P. Eaton – – – – – – – – – East Orange, N. J.
W. B. Franke – – – – – – – – – – New York, N. Y.
J. W. Pless – – – – – – – – – – Asheville, N. C.
W. M. Ritter – – – – – – – – – – Columbus, Ohio

OFFICERS

H. R. Dennis – – – – – – – – – – – – *–President*
Edward C. Bailly – – – – – – – – – – *– Vice-President*
T. J. Cunningham – – – – – – – *–Secretary & Treasurer*
E. G. H. Towner – – – – – – *Ass't Sec'y & Ass't Treas.*
John W. Sanders – – – – – – *Ass't Sec'y & Ass't Treas.*

Edward C. Bailly – – – – – – – – – *–General Counsel*

New York Office – – – – – – – – – 1 East 57th Street

Stock Transfer Agent
and
Dividend Disbursing Agent

The New York Trust Company
100 Broadway
New York 15, N. Y.

Stock Registrar

Bankers Trust Company
16 Wall Street
New York 15, N. Y.

THIRTY-EIGHTH ANNUAL REPORT

NEW YORK, APRIL 1, 1949.

To the Stockholders of

CAROLINA, CLINCHFIELD AND OHIO RAILWAY:

Thirty-eighth Annual Report of the Board of Directors, for the year ended December 31, 1948, is submitted herewith:

Under an indenture dated October 16, 1924, the properties of Carolina, Clinchfield and Ohio Railway and its subsidiaries were leased to Atlantic Coast Line Railroad Company and Louisville and Nashville Railroad Company for a period of 999 years from May 11, 1923, at an annual money rental which now, and during the remainder of the term of the Lease, is 5% on $25,000,000 Capital Stock, or $1,250,000 annually.

In addition to the foregoing money rental, the Lessees agree to pay the interest charges on the outstanding funded debt of and guaranteed by Carolina, Clinchfield and Ohio Railway and on any bonds that may be issued to refund the same.

The Lease also provides that the Lessees will pay all charges and other expenses in connection with the payment of interest, shall pay all taxes upon the franchises and leased property and the income thereof, and shall also pay a limited sum for the annual corporate expenses of the Lessors. All rental payments under the Lease are the joint and several obligations of Atlantic Coast Line Railroad Company and Louisville and Nashville Railroad Company.

The Lease expressly provides that in case of the issuance of any additional capital stock of the Railway, it shall be stock of a class which has no right to participate in any dividends declared from the money rental above mentioned, which money rental has been fixed at the amount specified for the purpose of enabling the Railway to pay dividends upon the $25,000,000 par value Capital Stock at the rate of five per cent per annum, and is not intended to be used for any other purpose whatsoever. In consideration of this money rental, the stockholder agrees with the Lessees that he will vote his stock in such manner as is necessary to carry out the provisions of the Lease from time to time.

The payment of the above-mentioned annual money rental is to be made in equal quarterly instalments, on the first day of January, April,

July and October of each year, to enable the Lessor to pay dividends upon its $25,000,000 Capital Stock at the rate specified.

The making of the aforesaid Lease was authorized by the Interstate Commerce Commission on June 3, 1924 (Finance Docket No. 3131).

Possession of the leased properties was delivered to the Lessees on December 1, 1924, and the first payment of the money rental under the Lease was made to the Lessors on April 1, 1925.

Quarterly dividends, at the rate of five per cent. per annum on the Railway's $25,000,000 Capital Stock, were paid out of the money rental received from the Lessees during 1948.

Mr. Edward G. H. Towner was elected an Assistant Secretary and Assistant Treasurer of the Corporation on March 19th, succeeding Mr. Warren P. Eaton, resigned.

Submitted as a part of this report are a statement of mileage, a summary of the operation of the leased properties, a copy of the consolidated balance sheet and a description of the funded debt.

For the Board of Directors,

H. R. Dennis, *President.*

MILEAGE

The mileage owned by Carolina, Clinchfield and Ohio Railway and its subsidiary, Carolina, Clinchfield and Ohio Railway of South Carolina, is as follows:

Carolina, Clinchfield and Ohio Railway:		*Miles*
Main line:	Elkhorn City, Ky., to N. C.-S. C. State Line...	258.76
Branch lines:	Caney, Va., to Moss, Va.	14.58
	Carbo, Va., to Clinchfield, Va.	2.35
	Bostic Yard, N. C., to Junction S. A. L. RR.	.79
Carolina, Clinchfield and Ohio Railway of South Carolina:		
Main line:	N. C.-S. C. State Line to Spartanburg, S. C...	18.09
	Total	294.57

The lines of this Company have, since December 1, 1924, been operated by the Lessees under the name of "Clinchfield Railroad Company."

In addition to the foregoing mileage, the Lessees also operate the following mileage under trackage rights formerly held by Carolina, Clinchfield and Ohio Railway System:

Chesapeake and Ohio Railway, Elkhorn City, Ky.		.13
Norfolk and Western Railway, Carbo, Va., to St. Paul, Va.		8.45
Southern Railway:	Frisco, Tenn., to Albert Yard, Va.	13.60
" "	Spartanburg, S. C.	.09
	Total	22.27

This makes the total mileage operated by the Lessees, under the Lease, 316.84 miles.

RESULTS OF OPERATION BY LESSEES

The following is a summary of the results of operation of the leased properties, for the year ended December 31, 1948, as reported by the Lessees:

Railway operating revenues		$19,312,070.65
Railway operating expenses		11,657,851.40
Net revenue from railway operations		$ 7,654,219.25
Railway tax accruals		1,906,750.79
Railway operating income		$ 5,747,468.46
Equipment rents	$1,117,123.60	
Joint facility rents ..... *Dr.*	*14,577.62*	1,102,545.98
Net railway operating income		$ 6,850,014.44
Non-operating income		11,463.98
Gross income		$ 6,861,478.42
Deductions from gross income:		
Lessor's fixed charges	$ 827,013.32	
Dividend rental	1,250,000.00	
Miscellaneous rental	60,027.50	
Total rental under Lease	$2,137,040.82	
Other deductions	124,646.09	2,261,686.91
Net Income		$ 4,599,791.51

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

AND

CAROLINA, CLINCHFIELD AND OHIO RAILWAY OF SOUTH CAROLINA

CONSOLIDATED GENERAL BALANCE SHEET
DECEMBER 31, 1948

ASSETS

Investments:		
Road and equipment property:		
Road	$59,357,150.35	
Equipment	9,684,213.06	$69,041,363.41
Donations and grants ..... *Cr.*		*83,743.19*
Investment in transportation property		$68,957,620.22
Accrued depreciation—Equipment ..... *Cr.*		*1,849,600.35*
Investment in transportation property less recorded depreciation		$67,108,019.87
Sinking fund		117,307.50
Miscellaneous physical property		66,780.39
Total investments less recorded depreciation		$67,292,107.76
Current Assets:		
Cash		$ 5,778.65
Special deposits		4,602.00
Rent receivable		312,500.00
Total current assets		$ 322,880.65
Deferred Assets:		
Working fund advances		$ 100.00
Due from the Lessees:		
To be accounted for at termination of Lease...		2,764,319.96
Total deferred assets.....		$ 2,764,419.96
TOTAL ASSETS		$70,379,408.37

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

AND

CAROLINA, CLINCHFIELD AND OHIO RAILWAY OF SOUTH CAROLINA

CONSOLIDATED GENERAL BALANCE SHEET
DECEMBER 31, 1948

LIABILITIES

Capital stock		$25,000,000.00
Funded debt unmatured:		
First Mortgage 4% Bonds, Series A:		
Issued	$22,150,000.00	
Retired through Sinking Fund.	1,562,000.00	20,588,000.00
Current Liabilities:		
Miscellaneous accounts payable		$ 84.30
Interest matured unpaid		150.00
Unmatured dividends declared		312,500.00
Other current liabilities		10,812.00
Total current liabilities		$ 323,546.30
Deferred Liabilities		$ 7,305,276.51
Unadjusted Credits:		
Premium on funded debt		$ 11,508.94
Surplus:		
Unearned surplus		$16,875,000.00
Earned surplus—Unappropriated		276,076.62
Total surplus		$17,151,076.62
TOTAL LIABILITIES		$70,379,408.37

DESCRIPTION OF FUNDED DEBT

DECEMBER 31, 1948

CAROLINA, CLINCHFIELD AND OHIO RAILWAY
FIRST MORTGAGE 4% BONDS, SERIES A:

Dated September 1, 1940, due September 1, 1965, secured by first mortgage on the line of railway and other property from Elkhorn City, Kentucky, to North Carolina-South Carolina state line, 276 miles, by equipment, and by the entire capital stock ($12,000) and $3,000,000 principal amount (entire issue) of First Mortgage Bonds of Carolina, Clinchfield and Ohio Railway of South Carolina, extended to December 15, 1952. Amount authorized and issued, $22,150,000; retired through sinking fund, $1,562,000; outstanding, $20,588,000. Bonds unconditionally guaranteed as to principal, interest and sinking fund payments jointly and severally by endorsement by Atlantic Coast Line Railroad Company and Louisville and Nashville Railroad Company. Trustee: J. P. Morgan & Co. Incorporated, New York, N. Y. Coupon bonds in denomination of $1,000 each, registerable as to principal only. Fully registered bonds, without coupons, in denominations of $1,000, $5,000, $10,000, $100,000 and any multiple of $100,000 authorized by the Board of Directors. Coupon bonds and registered bonds without coupons are interchangeable. Interest payable March 1 and September 1 at office of Louisville and Nashville Railroad Company, 71 Broadway, New York. Redeemable, as a whole or in part, after not less than 45 days' published notice, on any interest payment date to and including September 1, 1963, and on any date thereafter, at the following percentages of the principal sum, viz.: to and including September 1, 1945, at 107½%; thereafter to and including September 1, 1950, at 106%; thereafter to and including September 1, 1955, at 104½%; thereafter to and including September 1, 1960, at 103%; thereafter to and including September 1, 1963, at 101½%; and thereafter at 100%; plus accrued interest in all cases. Semi-annual non-cumulative sinking fund of $110,750 to be applied to the purchase or redemption of the Bonds.